

Decision **DRAFT DECISION OF ALJ EVANS** (Mailed 7/1/2002)**BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA**

In the Matter of the Application of SOUTHERN CALIFORNIA EDISON COMPANY U-338-E, for authority to issue, sell, and deliver one or more series of Debt Securities and to guarantee the obligations of others in respect of the issuance of Debt Securities, the total aggregate principal amount of such indebtedness and guarantees not to exceed \$1,586,840,000; to execute and deliver one or more indentures; to sell, lease, assign, mortgage, or otherwise dispose of or encumber utility property; to issue, sell and deliver in one or more series, an aggregate amount not to exceed \$250,000,000 par or stated value of Cumulative Preferred Stock \$25 Par Value, Cumulative Preferred Stock --\$100 Par Value, Preference Stock or any combination thereof and for an exemption from the Commission's Competitive Bidding Rule.

Application 00-07-006  
(Petition for Modification  
Filed January 25, 2001)

In the Matter of the Application of SOUTHERN CALIFORNIA EDISON COMPANY U-338-E, for an Order to issue Debt Securities, and/or Guarantee the Debt Securities of an Edison affiliate, to finance its Fuel Oil, Nuclear Fuel, and Coal Inventories in an aggregate principal amount not to exceed \$900,000,000.

Application 88-03-024  
(Petition for Modification  
Filed January 25, 2001)

In the Matter of the Application of SOUTHERN CALIFORNIA EDISON COMPANY U-338-E, for an order increasing the currently authorized amount of variable interest rate debt instruments, or guarantees of the debt securities of another, to finance undercollections in its Regulatory Balancing Accounts, from \$700,000,000 to an aggregate principal amount not to exceed \$1,200,000,000.

Application 00-07-048  
(Petition for Modification  
Filed January 25, 2001)

In the Matter of the Application of SOUTHERN CALIFORNIA EDISON COMPANY U-338-E, for Authority to issue, sell, and deliver one or more series of Debt Securities and to guarantee the obligations of others in respect of the issuance of Debt Securities, the total aggregate principal amount of such indebtedness and guarantees not to exceed \$800,000,000; to execute and deliver one or more indentures; to sell, lease, assign, mortgage, or otherwise dispose of or encumber utility property; and for an exemption from the Commission's Competitive Bidding Rule.

Application 97-11-032  
(Petition for Modification  
Filed January 25, 2001)

## O P I N I O N

### 1. Summary

This decision grants the amended expedited petition filed on March 8, 2002 by Southern California Edison Company (SCE) to modify Decision (D.) 88-07-069 and D.00-10-063. SCE is granted an exemption from the Competitive Bidding Rule.

## 2. Background

SCE originally filed its “Expedited Petition” for modification of D.88-07-069, D.98-02-104, D.00-10-040, and D.00-10-063 on January 25, 2001. In that petition, SCE requested, among other things, that the Competitive Bidding Rule exemptions contained in those decisions be revised to additionally include domestic underwritten public offerings of fixed interest rate bonds and debentures exceeding \$200 million in principal amount.

After requesting and receiving additional information from SCE, we issued D.02-01-061, which modified D.00-10-040 by authorizing SCE to issue \$3.5 billion of debt to finance its Procurement-Related Obligations Account (PROACT). In our decision, among other things, we granted SCE’s request for exemption from the Commission’s Competitive Bidding Rule for debt issues in excess of \$200 million.

On January 8, 2002, Administrative Law Judge (ALJ) Evans issued a ruling in these proceedings requiring SCE to submit additional information supporting its request for exemptions from the Commission’s Competitive Bidding Rule in its various applications for financing authority. SCE provided that information on January 28, 2002.

To clarify the record, SCE filed an Amended Expedited Petition on March 8, 2002 to provide the information regarding the remaining amounts of financing authorization included in D.88-07-069, D.98-02-104, and D.00-10-063. SCE believes this “new” information may be useful to the Commission in considering SCE’s request for Competitive Bidding Rule exemptions.

In addition, in its Amended Expedited Petition, SCE seeks to withdraw that portion of the original petition, which asked for modification of D.00-10-040, as to the Competitive Bidding Rule, because the relief sought was included in D.02-01-061, our PROACT decision. In its amended petition, SCE also seeks

withdrawal of that portion of the original petition, which asked for modification of D.98-02-104, as to the Competitive Bidding Rule, because the remaining authorized amount under that decision is now less than the \$200 million benchmark.

### 3. Discussion

In its January 28, 2002 response to the January 8, 2002 ALJ's ruling, SCE provided the amounts and types of outstanding debt issued pursuant to the various decisions requested by the ALJ's ruling. What was not requested, nor included, but needed, however, was the amount of financing authorization remaining under those respective decisions. The remaining amounts are respectively as follows:

D.88-07-069	\$485,440,000
D.98-02-104	\$193,760,000
D.00-10-063	\$1,586,840,000 (debt) and \$250,000,000 (Preferred Stock)

SCE states that it has a continuing need for Competitive Bidding Rule exemption for issues of large amounts of additional debt. SCE intends to use debt previously authorized to finance any past due obligations, to refinance existing debt, and to fund its construction program. SCE believes its request, effectively seeking an exemption for domestic underwritten public offerings of fixed interest rate bonds and debentures exceeding \$200 million in principal amount, is appropriate given the remaining financing authorization levels of D.88-07-069 and D.00-10-063. Since less than \$200 million in financing authorization remains under D.98-02-104, SCE is withdrawing its request that the relevant language of that decision be modified to permit such exemptions to issue fixed interest rate bonds or debentures exceeding \$200 million in principal amount. In addition, although previously included as part of SCE's petition, in

light of our decision on January 23, 2002 (D.02-01-061) granting SCE's request for exemption to the Competitive Bidding Rule requirements, SCE is not seeking separate or additional exemptions from the Competitive Bidding Rule for D.00-10-040 as subsequently modified by D.01-01-021 and D.02-01-061. Accordingly, SCE is seeking additional exemptions from the Competitive Bidding Rule only as to D.88-07-069 and D.00-10-063.

SCE believes that broadening the exemptions from the Competitive Bidding Rule requirements in this manner will give it the greater flexibility it originally sought in its Petition and which it continues to regard as necessary to access the capital markets. We agree. In D.02-01-061, we discussed the fact that when SCE was an A-rated company, SCE used competitive bidding for most of its fixed-rate taxable debt financings. SCE stated that even if its ratings rise above an "A" rating, it would continue to face significant challenges accessing the capital markets. While it has been almost six months since our decision in D.02-01-061, SCE's bond rating is still below a single "A."

In D.02-01-061, we agreed with SCE that it was unlikely that SCE would be able to obtain financing through competitive bids in the near future. We do not see anything that changes that conclusion at this time. We will grant SCE's request for the exemption from the Competitive Bidding Rules. We note too, that SCE is not requesting authorization for additional debt authority in the Amended Expedited Petition, just an exemption from the Competitive Bidding Rules. No party filed a protest.

#### **4. Comments on Draft Decision**

The draft decision of the ALJ in this matter was mailed to the parties in accordance with Section 311(g)(1) of the Public Utilities Code and Rule 77.7 of the

Rules of Practice and Procedure. Comments were filed on \_\_\_\_\_ and reply comments were filed on \_\_\_\_\_.

**Findings of Fact**

1. SCE is not seeking additional debt authorization. It intends to use the debt previously authorized to finance any past due obligations, to refinance existing debt, and to fund its construction program.

2. SCE bond rating is still below a single “A.”

3. SCE has a continuing need for an exemption from the Competitive Bidding Rule.

**Conclusions of Law**

1. It is reasonable to grant SCE’s request for exemption from the Commission’s Competitive Bidding Rule.

2. It is reasonable for SCE to use debt to finance any past due obligations, to refinance existing debt, and to finance its construction program.

**O R D E R**

**IT IS ORDERED** that:

1. Southern California Edison Company’s Amended Expedited Petition for modification of Decision (D.) 88-07-069 and D.00-10-063 is granted.

2. Application (A.) 00-07-006, A.88-03-024, A.00-07-048, and A.97-11-032 are closed.

This order is effective today.

Dated \_\_\_\_\_, at San Francisco, California.